FOREIGN AGRICULTURE

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July 14, 1975

Oil and Meal Output in South America

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE
VOL. XIII • No. 28 • July 14, 1975

In this issue:

This week's cover:

A Syrian farmer dusting cotton on an experimental farm. Income from cotton exports dropped last year and Syria will have to depend on other sources of income to pay for food imports from the United States. See article beginning page 6.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget through June 30, 1979. Yearly subscription rate: $34.35 domestic, $42.95 foreign; single copies 70 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

Oil and Meal Output Up in Key South American Producers

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SOUTH AMERICA—home of some of the most formidable competitors in world oil and meal trade—is enlarging this position in 1975.

Chief among these competitors are Brazil and Peru, followed by several smaller but potentially important producers such as Argentina and Colombia. In Brazil, soybean producers have begun marketing yet another greatly increased crop while being enticed with guaranteed prices to stay in the expansion business, which has made Brazil second only to the United States in the soybean export market. Peru's huge fish oil and meal industry is recovering further from its low 1973/74 production, although growth will no doubt be contained in line with demand expectations. Argentina is harvesting a near-record peanut crop, which is, however, being offset by reduced sunflower production, And Colombia reportedly is flush with meal supplies and likely to have a big cottonseed outturn this year.

Brazil. This booming giant continues to push output of soybeans and other export crops. Many Brazilians believe that within 10 years Brazil can be producing as much as 30 million tons of soybeans yearly plus huge crops of corn, sugar, coffee, wheat, and cocoa. Of course, there are many potential obstacles to this happening—possible demand and price constraints, unfavorable weather, ecological considerations, marketing and transportation problems—but right now the Brazilian economy is in that expansive stage where almost anything seems possible.

Brazilian soybean production, for instance, continues to take the giant step forward, obscuring some backward steps in other oilseeds—cottonseed, peanuts, and castorbeans. The 1975 soybean crop, currently estimated at 9.6 million metric tons, is some 30 percent above that of 1974. This is the third straight rise of more than 2 million tons in an unprecedented expansion that has carried output from 1.5 million tons in 1970 to the nearly 10 million tons currently. A 22 percent increase in area plus an 8 percent gain in yields, account for the 1975 growth—the bulk of it in the main producing States of Rio Grande do Sul and Paraná.

Regarding marketing of the crop, there have been a number of transportation and storage problems. Paraná has been having problems with the movement and arrival of soybeans in Paranaguá; on May 1, for instance, 600 trucks were reportedly tied up outside the city, blocking entrance to the city for miles. Paranaguá, especially, is hard pressed because in addition to soybeans, it also must handle large quantities of corn, castor oil, cottonseed meal, and coffee.

Also, since only 20 percent of the crop now moves by rail, the burden rests almost exclusively on the road system, which will do exceptionally well if it stands up under the expected soybean traffic.

Meanwhile, with the domestic market likely to take only about 800,000 metric tons of soybean meal and 600,000 tons of soybean oil, Brazil finds itself highly dependent this year on a less-than-promising export market. Brazil would like to export up to 5 million tons of soybeans from the 1975 crop—if the markets can be found—plus about 3 million tons or more of oilseed meal. Oil exports will continue to be controlled as domestic needs grow rapidly, but around 200,000 tons may be shipped in 1975.

Looking ahead, prospects seem less buoyant—at least for the near term—than they did in the recent past.

Since world prices are declining—and may soon reach the marginal point—Brazil is not likely to record such a large gain in 1976 as it did this year. Current estimates are for a crop

This article is based on the author's findings during a recent field trip to Brazil, Peru, Argentina, and Colombia.

of no more than 10.75 million tons. But much depends on what planting alternatives present themselves in November-December, Brazil's planting season; the eventual size of the U.S. crop; and the marketing problems that may accompany movement of the U.S. crop. One bullish factor is the Brazilian Government's guarantee to buy a million tons of soybeans at $4.28 per bushel.

Further down the road is the possibility of a crop of around 15 million tons by 1980. Area expansion is seen accounting for most of the gain, with yields moving up to average around 26 bushels per acre in 1980, compared with the 1975 average of 24.5 and last year's level of 23.

"Many Brazilians believe that within 10 years Brazil can be producing as much as 30 million tons of soybeans yearly, plus huge crops of corn, sugar, coffee, wheat, and cocoa."

Most of the future expansion is seen for the State of Paraná, a huge producer already with 3.56 million tons of the 1975 crop—exceeded only by Rio Grande do Sul's 4.7 million tons. However, expansion in such States as Mato Grosso, Minas Gerais, and Goias is expected to be minimal for the next 4 to 5 years.

Brazil is not usually considered a high-cost producer. However, one source, an American scientist involved in oilseed research in Brazil, points out that, despite appearances to the contrary, Brazil is a relatively high-cost producer of soybeans, and—unless internal support prices remain high or world prices are high—production will increase at a much slower rate in the future.

In contrast to soybean's meteoric rise, production of peanuts is taking a big tumble in 1975. Current estimates place it at only about 450,000 tons in 1975—an alltime low and less than half the 930,000 tons produced in 1973. The problem here is basically one of land substitution. Peanuts, which are grown almost exclusively in São Paulo, are being replaced by corn, soybeans, and wheat.

Peru. The 1975 fish catch in Peru is scheduled to run at about 5 million tons, which should yield 1-1 million tons of meal and 325,000 tons of oil. Based on current conditions, the Institute of the Sea and other research entities believe that the catch can return to a 10-million-ton level by 1977. Although this is still below the alltime high of 12.3 million tons in 1970, it is far above the 1.77 million tons of 1973 and the 3.6 million tons of 1974. The drastic 1973 decline was caused by the overcatch of 1970, plus the movement of "*nino*" (warm currents) into coastal fisheries usually dominated by the Peru Current, with its infinitude of anchovies.

This year, there was reportedly a small *nino* to the north of Lima. However, it did not descend south, and as a result there was no serious reduction in the average size or quantity of the catch.

Among different Government agencies, there appears to be agreement that the authorized catch should be 5 million tons. The anchovies are there, and the weather remains in favor of such a catch or even larger. But with Brazilian soybeans coming on the market in great quantity, there is a tendency to hold back expansion in output in order to stabilize prices at high levels. Of course, any drop in return now must be borne by the Government, since it has nationalized the fishing industry and has begun paying fishermen fixed salaries as opposed to the previous system of paying them about one-third of the market value of their fish.

Nationalization has also resulted in modernization of the fleet, which was reduced to about 600 boats currently from the 1,400 operating in 1972. In addition, the number of plants was cut from 125 to 65, with 6 that can be used if needed. However, since all fishermen and plant workers on board in 1972 were retained on salary, there are enormous labor costs that offset much of the gains achieved from modernization. Current cost of fishmeal production is estimated at $230 per ton.

For the coming seasons, it looks as if the level of fishing could return to about 8 million tons in 1976 and 10 million in 1977, with corresponding gains in yields of oil and meal. After hitting a recent low of 423,077 tons in 1973, meal production climbed to 905,099 million tons in 1974, and may reach 1.1 million this year. The alltime high output was 2.25 million tons in 1970. The meal produced so far is said to be excellent, averaging about 67 percent protein.

Partly offsetting the sharp production decline, fishmeal exports in the past 2 years have brought alltime high prices. The 350,973 tons shipped in 1973, for instance, brought an average price of $383.97 per ton, while the 631,602 exported in 1974 earned $319 per ton. In contrast, the f.o.b. price in the 4 previous years never averaged over $157 per ton.

The Peruvians recently visited several East European countries in an attempt to sell more meal and oil there. However, no results of the mission have been announced.

Shipments of meal in 1974, by destination, are as follows:

	Metric tons	Percent of total
U.S. and Canada	32,922	5.2
Latin America	42,795	6.8
Far East countries	56,241	8.9
Socialist countries	291,768	45.7
Western Europe	94,791	16.6
West Germany	108,077	17.4
Total	631,602	100.0

Argentina. Reflecting in part the current difficulties in the country, Argentine production of edible oilseeds is putting in a mixed performance. The 1974/75 peanut crop is the second highest on record, but the important sunflower crop is off sharply from last year's, and soybeans have stagnated following hitherto rapid growth.

Sunflowerseed—whose oil is preferred domestically and is thus subject to total Government control—is currently in a low production cycle, with output estimated at 800,000 metric tons in 1974/75 compared with 1 million last season. A strongly cyclical crop, sunflower has only twice exceeded the 1,088,000 tons produced in 1949/50—in 1966/67 and again in 1969/70, and then only by 32,000 and 52,000 tons, respectively.

Production goals for 1975/76 and 1976/77 call for increases to 1,230,000 and 1,360,000 tons, respectively, compared with a target for 1974/75 of 1,100,000. As in 1974/75, there appears little chance of these goals being achieved.

To ensure enough sunflowerseed oil for home consumption, the Government controls the marketing by buying the complete crop—recently at a price of about $150 per ton—and selling to the crushing mills at about $71 per

ton. The resulting crude oil is sold at about $268 per ton, compared with world market prices of around $500.

Sunflowerseed meal production in 1975 is forecast at 330,000 tons, some 10 percent less than in the 2 previous years. Exports, which were 299,000 tons in 1973 and 237,000 in 1974, will probably be no more than 200,000 tons in 1975.

As in Brazil, soybeans have been something of a wonder crop for Argentina, with production doubling between 1969/70 and 1970/71, then rising 30 percent the next year, a spectacular 400 percent in 1972/73, and another 100 percent in 1973/74. By 1973/74 around 930,000 acres were planted for a crop of 490,000 metric tons. The 1974/75 season, however, brought an abrupt end to this expansion, with output estimated at 450,000 tons.

The lack of growth this season reflects a drop in planted area, particularly in the Provinces of Buenos Aires and Cordobá, which experienced a severe summer drought. In addition, Argentina encountered many production and marketing problems in 1973/74. Production that year more than doubled to reach 490,000 tons, but crushers were unable to buy at harvesttime because of high internal prices and lower crushing margins. This forced the Government to enter the market and purchase 200,000 tons at the support price. Later, when the price was adjusted and marketing normalized, the mills purchased through the usual marketing chain, which tends to be extremely complicated.

The farmers, who generally are traditionalists, did not like the marketing experience and thus went back to traditional crops.

Nonetheless, Argentina has ambitious plans for future production, aiming at crops of 790,000 and 1 million tons in the next two seasons and 1.5 million tons for 1979/80. This would require the planting of nearly 500,000 more acres each year—big steps but ones Brazil has already proved possible.

Soybean oil production in 1975 is estimated at about 41,000 tons—the same as in 1974—with exports dependent on whether there is sufficient sunflower oil available for domestic needs. Exports totaled 14,800 tons in 1973 and 29,200 in 1974.

Production of soybean meal is estimated at 30,000 tons in 1975—the same as last year's. Meal exports totaled 23,000 and 13,900 tons, respectively, in the last 2 years. Exports are expected to be about 18,000 tons in 1975 although the Government is permitting shipments of up to 30,000 tons.

Argentine peanut production—99 percent of it in the State of Cordobá—is estimated at 420,000 tons. This is 50,000 tons below the first estimate, reflecting damage caused by persistent rains. Nonetheless, the 1974/75 crop will be about 44 percent above the previous year's, which was only 290,000 tons and about 30 percent above the most recent 5-year average.

As a result, the peanut export picture for 1975 appears strong, depending of course on how much, of what, the Government decides to hold back for home consumption because of the sunflower shortfall. As of now, exports of peanut oil are forecast at about 90,000 tons, and those of peanut meal, at 56,000 tons.

"Argentina has ambitious plans for future (soybean) production, aiming at crops of 790,000 and 1 million tons in the next two seasons."

Despite the good 1975 crop, peanuts do not appear to have a particularly bright future in Argentina, as there is a limited area where soil and climate are suitable for peanuts.

Colombia. Unlike the other three South American producers, Colombia is not self-sufficient in vegetable oils, normally importing fish oil, soybean oil, tallow, lard, and other fats and oils. However, the country currently has an unusually large supply of meal, and some sources claim it is on the verge of overall self-sufficiency.

This ample supply has raised concern about prices among the few exporters of oilseed meal, especially in view of Peru's large fish catch, Brazil's huge soybean crop, prospects for a large U.S. soybean crop, and the declining consumption in developing countries.

Contrary to official estimates, cotton production appears to be up considerably and with it output of cottonseed. The unofficial estimate is 260,000 metric tons of cottonseed, compared with 249,312 and 190,000 in the 2 previous years. Possible oil production is pegged at 36,400 tons against 34,905 last year.

Colombian soybean production also is estimated up in 1975—to 130,000 tons from 114,000 and 97,000 in the 2 previous years. Although dwarfed by production in the United States, Brazil, and the People's Republic of China, Colombian soybean output still ranks about 10th largest in the world. Unlike other producers, however, Colombia has not enjoyed spectacular growth in soybean output; in fact, it has shown a very erratic trend in the previous 5 years, ranging from a low of 95,000 tons in 1970 to a high of 122,000 tons in 1972, and then back down to 97,000 in 1973.

Soybean oil production is estimated at 24,993 tons in 1975 compared with 21,917 last year.

Current projections call for a production of up to 240,000 tons of soybeans by 1980; however, this does not seem likely under current programming and tax structures.

African palm, on the other hand, has a seemingly bright future in Colombia. Ten years ago there was little African palm grown in Colombia. Since then, Colombia has invested heavily in the industry, and production of oil has risen steadily, reaching an estimated 61,000 tons in 1975.

Since production of other oil-bearing materials is rather erratic, palm oil represents Colombia's main hope of achieving self-sufficiency in vegetable oil production. Still, expansion is not expected to be enough to make Colombia a vegetable oil exporter within the next 10 years. In fact, it will probably continue to be a net importer of fish oil, lard, tallow, and edible oils.

Last year, some of these needs were satisfied through imports of tallow, lard, and soybean oil from the United States, but imports this year will be largely in the form of fish oil, owing to advantages of such purchases under the Andean trade pact.

Regarding foreign trade in meal, the country apparently has a great deal of surplus oilseed meal—estimated at some 80,000 tons. This could probably be sold on the world market, but with internal prices at over $155 per ton compared with world prices of around $119, there is not much incentive to export. On the other hand, annual interest rates of 30 percent make it impractical to hold the meal long.

Steering Group Meets To Review MTN Progress

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THE TRADE Negotiations Committee (TNC)—the international steering group that overseas the Multilateral Trade Negotiations (MTN)—will meet in Geneva beginning July 15. The purpose of the meeting is to review what has been accomplished to date in the MTN and to provide any further guidance the members consider necessary.

The TNC, whose membership includes all countries participating in the MTN, was established at the Ministerial Meeting in Tokyo in September 1973. It was at that meeting that the assembled nations agreed to engage in comprehensive multilateral trade negotiations within the framework of the General Agreement on Tariffs and Trade (GATT).

The first meeting of the TNC was held in February 1974. At that time six groups were established to begin preparatory work prior to the beginning of the actual negotiations. These groups included tariffs, nontariff barriers, sectors, safeguards, agriculture, and tropical products.

After the Trade Act of 1974 was signed by President Ford in January 1975, the TNC met again in February 1975 to end the preparatory work and begin actual negotiations. At the February 1975 meeting the TNC established work groups in six areas and agreed to meet again in July to review progress achieved to date and to determine what further work is required.

The groups established at the February TNC meeting include: Tariffs, nontariff measures, sectors, safeguards, agriculture, and tropical products.

The **tariff group** met in mid-May and early July. The group received a number of suggestions for a general negotiating formula for tariff reductions. The suggestions range from a proposal for a 60 percent across-the-board tariff cut to various harmonization formulas under which high duties would be reduced more than low ones.

All proposals were submitted without any commitment from the nation submitting them. The submission provides merely that the proposal will be included in the group study of various tariff-cutting formulas.

The tariff group must also decide the base date from which tariffs will be cut, as well as the circumstances under which some commodities will be excluded from the general tariff formula.

The **nontariff measures group** (NTM) met in March and June. At the March meeting it established four subgroups, covering quantitative restrictions, technical barriers to trade, customs matters, and subsidies and countervailing duties. When it established these subgroups, the MTN group agreed to discuss the possible establishment of additional subgroups at a meeting this fall.

At its June meeting the NTM group heard reports from the four subgroups and set dates for further subgroup meetings this fall.

This summer the quantitative restrictions subgroup will promote informal, bilateral dialogues in which countries identify quantitative restrictions that they would like to see removed, and have initial discussions with the countries concerned.

THESE DISCUSSIONS will not constitute specific requests, but rather an informal exchange of views on the problems involved in eliminating or reducing quantitative restrictions, using the restrictions identified as working illustrations. Later this year the subgroup will begin formal consideration of specific requests for removal of quantitative restrictions.

The technical barriers subgroup is considering a draft Standards Code prepared several years ago by the GATT Committee on Trade in Industrial Products as a basis for further work in this area. The work area of this subgroup includes package and labeling problems and covers agricultural as well as industrial products. An issue to be decided is whether the draft should be expanded to cover health and sanitary restrictions.

The subgroup on customs matters is studying valuation practices of participating countries, import documentation, and other customs formalities and fees that may be used as trade barriers.

The subsidies and countervailing duties subgroup has agreed that negotiations in this area must include both subsidies and countervailing duties together. The subgroup has invited its members to submit draft texts of possible solutions to problems of subsidies and countervailing duties for review at its meeting this fall.

The **sector group** met in early April and the last week of June. The group discussed the implications of negotiating by sectors and in April agreed to study ores and metals as a sample sector. The agreement to study a sector does not commit any nation to the sector approach to negotiations.

The **safeguards group** met in April and early July. The group is determining whether present systems of safeguards are adequate and what changes should be proposed. Countries are being encouraged to discuss their own safeguard practices. From what is learned in these discussions, the group will propose changes in safeguard practices at meetings beginning this fall.

The **agriculture group** met in March, April, May, and early July. The several early meetings were necessary to determine the relationship between the tariffs and nontariff measures groups and the agriculture group—a major point of contention between the United States and the European Community.

It was agreed that the agriculture group will treat tariff and nontariff measures relating to agricultural commodities in conjunction with the work in the tariffs and nontariff measures groups. However, tariffs and nontariff measures of a general nature affecting agriculture can be taken up directly in the tariffs and nontariff measures groups.

The agriculture group established subgroups for grains, meat (including live animals), and dairy products. All three subgroups have met and discussed topics relating to market access and trade liberalization (U.S. initiative) and commodity agreements aimed at market stabilization (EC initiative). In addition, each subgroup is discussing topics re-

Continued on page 16

U.S. Farm Product Sales To Syria To Increase

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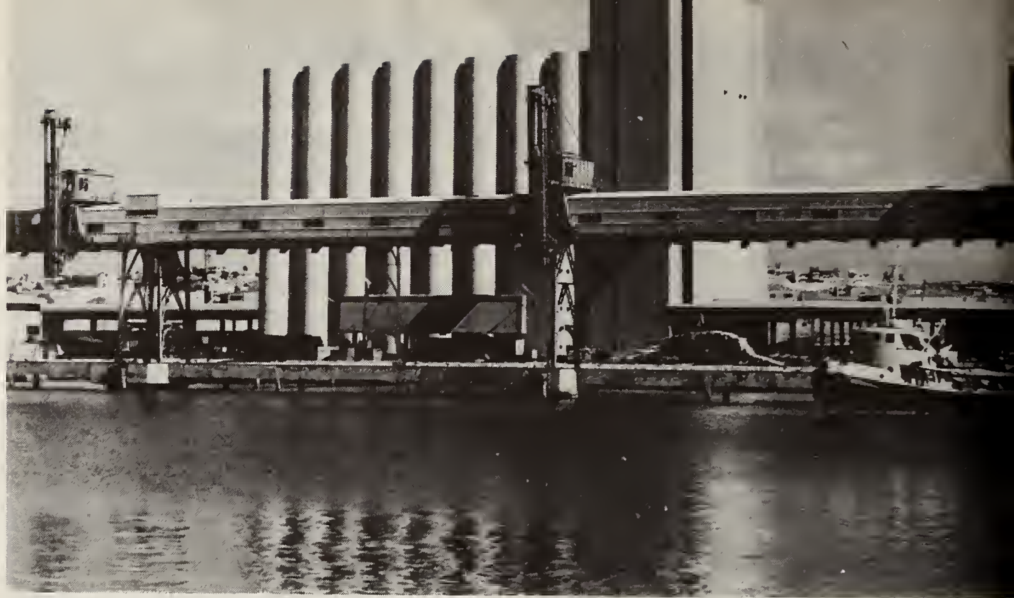


FUELED BY AN influx of capital, loans, and grants from Arab countries, and increased revenues from exports of petroleum products, Syria's 7 million people will be able to improve the quality and quantity of their food intake this year. As a result of this improvement in its foreign exchange position, it will make much larger imports of a wide range of farm commodities from a number of countries, including the United States.

Syria's total imports of agricultural products are expected to rise by more than 140 percent in fiscal 1975 (July 1, 1974-June 30, 1975) compared with those of fiscal 1973—climbing from only $124 million to an expected $300 million. Folowing the reestablishment of diplomatic relations between the Syrian Government and the United States, the increase in agricultural purchases from the United States is expected to be even more dramatic—going from $1.8 million in fiscal 1974 to about $42 million in fiscal 1975—an upsurge of more than 2,200 percent in 1 year.

The major commodities scheduled for import from the United States in fiscal 1975 (in millions of U.S. dollars) were: Wheat, 16; rice, 8; tobacco, 12; and oilseeds and products, 2. The remaining $4 million will include breeding animals, feedgrains, and vegetable seeds.

Syria's total imports may reach an annual level of $600 million in early 1975, while its exports will be about one-third less. The capital from other Arab countries, particularly from Saudi Arabia and the United Arab Emirates, as well as non-Arab sources such as France, the United States, and the World Bank, will help Syria bridge the gap.

Syria, although itself only a minor petroleum producer, collects over $100 million in fees annually from oil companies whose pipelines cross the country from Iraq and Saudi Arabia to the Mediterranean. Petroleum piped into Syria and refined there has become its leading export, moving ahead of cotton, No. 1 in 1973. However, announcement by the Arabian-American Petroleum Company that the pipeline may be closed down threatens this source of income.

ALTHOUGH THE redirection of funds to finance imports made larger foreign food purchases possible, the outlook for sizable Syrian farm export earnings in 1975 is mixed. Cotton production declined slightly in 1974 and lower world prices will reduce income from smaller Syrian cotton exports this year, while the value per unit of horticultural exports is rising. Syria's exports of fruits and vegetables to Iraq and Kuwait are expected to rise in value in 1975, as are those of lentils and other pulses to Egypt and Arabian Peninsula markets.

Syria's demand for food has grown more rapidly in the past several years than crop output. Per capita crop production in 1973 was one-third below the 1961-65 average, while population growth averaged 3 percent in the same period. In 1974, per capita food production was still 14 percent less than in the early 1960's.

Wide fluctuations in rainfall during the winter and spring of 1974/75 caused great variations in Syria's production of wheat and barley, the country's two major food crops. Wheat production fell from a high point of 1.8 million tons in 1972 to less than one-third that in 1973. Following the 1972 bumper wheat harvest, Syria was able to export over 200,000 tons and shave imports to 50,000 tons.

But the wheat production setback in 1973, followed by another relatively poor crop in 1974, sent Syria into the world market for wheat purchases relatively larger than those of 2 years earlier. A wheat crop of about 1.2 million tons is expected for 1975.

The drop in Syria's 1974 wheat outturn was particularly noticeable because Government programs to modernize bakeries and to provide ample supplies of low-cost wheat foods in every village were in full swing and have continued to boost the demand for these products.

Syrian imports of wheat had reached a peak of 619,819 tons in 1971, and the 1972 record outturn gave rise to hopes the high level could be duplicated in succeeding years, thereby enabling Syria to keep imports at a minimum. But it now appears that wheat imports in fiscal 1975 will approach the 1971 level. It is also likely that imports of wheat flour, corn, rice, and soybean meal will be higher than in past years.

Syria usually exports some wheat and barley to Lebanon in the summer and autumn months in years when surpluses are available. However, recently total wheat imports have been more than five times average annual wheat exports.

The strong demand for Durum wheat has given Canada a firm grasp on the

Far left, grain elevators at Syrian port of Latakia, where imported grain is often stored before being distributed. Left, Syrian women sorting tobacco leaves for cigarette manufacture at a Latakia factory. In fiscal 1975, Syria has scheduled imports of $16 million of wheat and $12 million of tobacco from the United States, its major supplier of these farm commodities.

Syrian grain import market, that country being Syria's major supplier of wheat for the past 5 years. In 1971, major suppliers of Syria's wheat imports, with their shipments in thousands of tons, were: Canada, 324; the United States, 221; Argentina, 51; and the Soviet Union, 14. Romania, Sweden, and the People's Republic of China (PRC) have also delivered considerable supplies of wheat.

Wheat flour imports in 1973 were only about half the peak of the 102,106 tons recorded in 1972. In the latter year, 72,000 tons came from Italy, and Romania provided 30,000 tons. Imports of flour recovered in 1974 to an estimated 80,000 tons and further gains are anticipated in 1975.

Egypt and the PRC were major suppliers of Syria's rice imports in the past 5 years. These ranged between 40,000 and 56,000 tons annually. But rice imports in 1975 are expected to approach 75,000 tons because of buoyant consumer demand and favorable trade arrangements.

Syria has arranged to import 50,000 tons of rice from the PRC this year under terms of a trade agreement.

Imports of U.S. rice will increase markedly in 1975, largely because of smaller arrivals from Egypt and financing of U.S. rice exports under P.L. 480. Syria recently purchased 22,000 tons of U.S. rice.

During January-February 1975, the United States shipped 81,000 tons of wheat to Syria. U.S. wheat exports to Syria are expected to reach 150,000 tons, valued at about $23 million in calendar 1975, including 75,000 tons under a Title I, P.L. 480 agreement. Other shipments will be financed through the World Food Program and various international voluntary agencies.

Syria will also receive 25,000 tons of Title I, P.L. 480 rice, valued at about $9 million, during 1975. U.S. voluntary agencies will also send about 4,000 tons of donated U.S. vegetable oil during that period. Syria's vegetable oil imports averaged about 7,000 tons annually between 1970 and 1974.

In April 1975, the United States sent over 25,000 tons of corn to Syria.

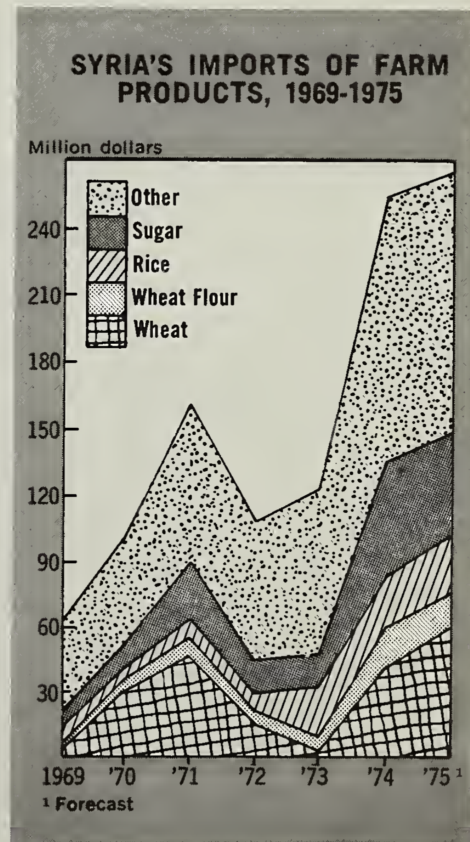
Syria has increased in importance as a cash customer for U.S. tobacco in recent years. Imported American cigarettes are popular in Syria and programs to boost output of high-quality cigarette brands have brought a marked rise in purchases of U.S. tobacco for blending. In 1974, the value of U.S. tobacco exports to Syria increased to $7 million from $1.3 million a year earlier. Oriental tobacco is Syria's leading agricultural export to this country.

U.S. exports of vegetable seeds to Syria more than doubled in the 1-year period between 1973 and 1974, going from 20 tons to 47 tons valued at $187,000. Syria plans to increase vegetable output in irrigated areas near the Euphrates River, largely based on its purchases of U.S. vegetable seeds. Syria also plans to import 10,000 tons of U.S. corn and an equal amount of soybean meal in the first part of 1975. Plans are also being put into action to boost output of dairy and poultry products and call for sizable imports of feedgrains in the beginning stages.

Syria's agricultural development programs strongly emphasize increased irrigation and fertilizer use and mechanization of production. Sales of U.S. harvesting machinery valued at over $15 million have been reported in the past 6 months. Completion of an irrigation channel network connected with the Tabqa dam on the Euphrates River will enable Syria to increase the area under irrigation by 250,000 acres by 1978.

Syria is also trying to boost wheat output by capitalizing on the higher yields of Mexican wheat varieties, but these require large amounts of water and fertilizer. Increased use of these varieties contributed to the bumper wheat harvest in 1972, but lack of moisture limited their yields in 1973 and 1974. However, with the opening of larger areas of irrigated land, opportunities for the use of Mexican wheat, as well as high-yielding rice varieties, will improve.

Syria also plans to boost plantings of sugarbeets in the newly irrigated areas. With greater production of refined sugar, Syria hopes to reduce its dependence on expensive sugar imports. It also intends to boost cotton output on watered lands, but much of the increased production of some cotton varieties will go to satisfy rapidly growing domestic demand, before exports can be enlarged.



EC Meat Surplus Hurt Danish Exports in 1974, Upturn Seen

Danish agriculture, which derives about 60 percent of its income from meat production—of which more than 70 percent is exported—suffered a serious blow in 1974.

The dominant pork industry was badly hurt by a drop in canned ham exports to the United States. Red meat shipments to the European Community also declined, causing a reduction in foreign exchange earnings.

The outlook for 1975 is generally mixed. Danish cattle and pork numbers are both expected to continue to fall slightly. Cattle slaughter is expected to rise, while that of hogs will probably fall; slaughter weights for both cattle and hogs will be lower. Beef volume will rise, but that of pork will fall.

The export situation, however, seems to be better than last year's.

The U.K. market should remain strong because of reduced meat output in the United Kingdom. In the remainder of the European Community, generally reduced slaughter in the second half of 1975 will probably bring about higher prices for Danish meat, even with a heavy beef supply still hanging over the continental market. The U.S. market appears to be a little brighter and Danish meat producers will benefit from current lower feed prices.

Livestock numbers. Total cattle number in January 1975 was 3,100,000, compared with 3,115,000 a year earlier, and 2,810,000 in 1973.

The number of hogs counted during the January census totaled 8 million head—the lowest level since 1969—down from 8.2 million a year earlier. On the average, numbers of bred sows in 1974 were down 3 percent from the 1973 average, but first-time bred sows about held their own.

The July 1974 census showed sheep numbers increased by 1,000 head from 1973's total to 57,000. Horse numbers rose 3,000 head to 53,000.

Slaughter. Total bovine slaughter rose 27 percent during 1974 as cattle held back for feeding to heavier weights during 1973 came on the market. Slaughter of adult cattle rose by 65 percent and calf slaughter fell by 12 percent. Hog killings dropped 4 percent but lamb slaughter rose 41 percent.

Slaughter totals for 1974, in thousands of head, for major livestock categories, were: Adult cattle, 702.1; fattened calves, 390.8; baby calves, 11.9; slaughter hogs, 10,418.4; sows and young pigs, 401; and sheep and lamb, 34.8.

Production. Last year's heavy beef slaughter and slightly higher average slaughter weights resulted in a 2.4 percent increase in total Danish red meat production during 1974, bringing it to 983,000 tons.[1] Pork output was down 4 percent but beef production rose by 29 percent.

This total does not include the meat equivalent of a sizable number of live animals exported for slaughter, or edible offal, tallow, and lard, but does include the farm slaughter of 1,200 tons of beef and 16,500 tons of pork. Production of edible offal was 45,200 tons.

Exports. Denmark's foreign exchange earnings from the export of red meat, cattle, and hogs declined 4 percent from the 1973 level to $1.1 billion (based on an exchange rate of DKr6.10=US$1) in 1974, because of smaller EC export subsidies and compensatory payments. Actual average export sales prices were generally stable. Beef, veal, and cattle export earnings from the EC were up 6 percent and fresh pork export earnings held their own. But the export value of canned and prepared meat products declined 4 percent. EC export subsidies to Denmark were off 29 percent to $69.3 million.

Exports of breeding cattle declined 35 percent to 6,499 head during the year just ended, reflecting a weakening in the Italian market. These were shipped mainly to Romania (3,311) and Bulgaria (1,015). The Danes have concluded a contract for export of 4,000 head of cattle to Romania in 1975.

Exports of slaughter cattle increased by 5,257 head to 26,438 in 1974, mainly being shipped to West Germany (23,397). Exports to other destinations were off.

Despite slack foreign demand for some products, the Danes boosted exports of beef and veal 13 percent to 105,291 tons last year. Although exports of veal dropped from 14,352 tons to 3,540 tons, exports of beef rose from 75,440 tons to 93,565. Exports of frozen beef and veal increased to 8,186 tons from 3, 422 tons in 1973.

EC Member States took 91.4 percent of Danish beef and veal exports, compared with 90.4 percent the previous year, but Italy's share declined from 69 percent to 51 percent. The United Kingdom took 27 percent against 4 percent in 1973. Exports to West Germany were up, while those to France and the Netherlands slipped.

Danish exports of bacon and pork during 1974 amounted to 336,705 tons, the same level as the previous year. Exports of bacon (Wiltshire sides) declined 3,290 tons to 244,555 tons in 1974, with 97 percent going to the United Kingdom. Exports of fresh pork cuts rose slightly to 92,150 tons. The U.K. market took 72 percent of total Danish exports of bacon and pork, while the remaining EC countries took an unchanged 19 percent. Italy was down to 9.5 percent of the total but this was more than offset by larger purchases by West Germany—now Denmark's third

[1] **All tons are metric.**

largest foreign bacon and pork market. The small shipments to non-EC countries mostly went to Sweden, Portugal, Japan, and Norway.

Exports of live sows for slaughter to West Germany declined from 162,756 head in 1973 to 98,020 head in 1974.

Slightly lower product prices and reduced EC export subsidies cut total Danish pork export earnings from $627 million in 1973 to $569.2 million in 1974. Of this amount, $41.3 million ($96.2 million in 1973) was received from the FEOGA Fund of the EC Intervention Agency.

High raw material prices and internal processing costs, lower EC export subsidies, slack U.S. demand, and stiff competition from Poland and the Netherlands caused the drop in Denmark's 1974 production and exports of canned and prepared meat products. Exports declined 7 percent to 174,797 tons, of which the United States took 60,718 tons, 17 percent less than a year earlier. Total export value of Denmark's processed products dropped 3 percent to $290.2 million, of which this country accounted for 45.8 percent, compared with 51.2 percent the previous year. Exports to the United Kingdom declined 5 percent to 60,552 tons, but other EC countries took more. Total EC purchases of canned and prepared meat rose from 38 percent of the total in 1973 to 41 percent in 1974.

Beef imports. Modification of sanitary import regulations as a consequence of its EC membership opened up a small but potential growth market in Denmark for imports of quality beef cuts from the United States and other approved countries. In addition to the United States and the other EC member countries, the list consists of Canada,

"Danish beef imports from the United States rose from 11,000 pounds in 1973 to 59,000 in 1974."

Australia, New Zealand, and the other Nordic countries. Prior to membership, imports were allowed only from other Scandinavian countries. The Danish market, particularly the catering sector, has showed a definite interest in quality beef from the United States.

The EC beef import ban that took effect July 17, 1974, effectively stopped imports from third countries except for the 34,000 tons of frozen beef protected in 1974 by the EC-GATT (General Agreement on Tariffs and Trade) bound quota. Denmark's share was 200 tons last year and the same quantity has been allocated for 1975 out of the total EC quota of 38,500 tons. Prior to the ban, the system of linkage (*jumelage*) instituted by the EC—whereby imports were allowed only when corresponding quantities were purchased from EC intervention stocks—had also served to restrain the growing interest in U.S. beef.

But in spite of the ban and *jumelage*, Danish beef imports from the United States increased from 11,000 pounds in 1973 to 59,000 pounds in 1974, according to U.S. statistics. One large hotel regularly features U.S. beef cuts on its menu and would have purchased more if the ban had not been applied. Other caterers had begun to introduce U.S. beef but dropped it when *jumelage* and the ban hindered free and regular access to supplies.

In the second half of 1974, after the July 17 import ban was applied and imports were possible only under the 200-ton GATT quota, the United States shipped only 10 tons of frozen beef to Denmark. —Based on report from

FRED W. TRAEGER,
U.S. Agricultural Attaché, Copenhagen

Far left, Danish Red cattle are the principal breed in Denmark. These dual-purpose animals produce both meat and milk. Left, Danish butchers cutting pork for the domestic market. Below, a refrigerated container of Danish bacon shipped direct to the United Kingdom.

Honduran Farm Economy Still Suffers From 1974 Hurricane

By JOHN C. McDONALD
U.S. Agricultural Attaché
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THE HONDURAN economy, already the weakest in Central America and among the poorest in the Western Hemisphere, was severely damaged by Hurricane Fifi in September 1974. As a result, farm production capacity is expected to be disrupted for years to come. It is estimated 2 years time will be required to repair only the most serious damage and to restore economic activity to a level equivalent to that of early 1974. Only infusions of aid from the international community prevented widespread famine and economic distress.

While donations, loans, rescue operations, and goods and services were largest from the United States, nearly all of the American countries. some in Europe, plus the Republic of China and Japan offered quick, generous aid.

U.S. Government cash assistance (loans and grants) totaled about $30 million. Other major donations of cash and technical aid were also made by Holland, France, Venezuela, Canada, and Panama. The Inter-American Development Bank has made, as part of its ongoing $87-million program, loans of $4.5 million to control and prevent livestock diseases, and $4 million to develop rural water supplies.

As a result of Hurricane Fifi, and other crises, Honduras economy in 1975, in real terms, is expected to be at the 1973 level instead of having grown an anticipated 12 percent in the interim. The value of agriculture is seen to be 7 percent below 1973's on a total real basis and 13 percent less on a real per capita basis. This means thousands of consumers will have to depend on imported foods at a time when the country's foreign exchange earnings and reserves are low, and the Government is repairing hurricane damage and is beginning to implement costly agrarian reform and rural development programs.

The crops hardest hit by the hurricane were corn, beans, bananas, and livestock, while coffee, sugar, tobacco, cotton, and lumber were damaged to a somewhat lesser degree.

The low income rural population suffered most. An agency of the Honduran Government estimated in early December that the hurricane had affected in some way more than 500,000 persons—20.3 percent of the total population—45 percent of these in rural areas, living on some 3.5 million acres. At yearend the Government released new statistics that said that as a result of Fifi, 108,000 persons had suffered damage of one sort or another, that 17,000 persons had been killed, 15,000 children orphaned, and 20,000 jobs lost.

The storm also gave an added push to prices that had been climbing for most of the year. Despite ceiling prices on many foods, inflation boosted average prices of foods and nonfoods 13 percent during the first 11 months of 1974. Food prices rose 17.5 percent, with such products as flour, beef, coffee, cooking oil, and pasteurized milk increasing by more than 30 percent over the period.

THE SITUATION at yearend was so bad that a confidential Central Bank document, quoted in an important Honduran newspaper, reported that the full effects of the "economic disaster" of 1974 were yet to be felt. "If 1974 has been a bad year for Honduras," the newspaper predicted in a editorial, "1975 will be worse."

Basic grains. Production of corn and beans rose respectably during the July 1973-June 1974 crop year to total about 330,000 and 48,000 tons, respectively. But the arrival of Hurricane Fifi at harvesttime destroyed an estimated 85,000 tons of corn, cutting calendar 1974 production to about 245,000 tons. (All tons are metric, unless otherwise indicated.)

In October, the Ministry of Natural Resources launched an Emergency Plan to produce a greatly expanded second crop of corn on the north coast, where the rainy season lasts for a longer period than in other areas. Up to mid-December, the National Development Bank had made 5,307 production loans, totaling about US$3.7 million to Emergency Plan corn and bean growers on 78,600 acres. Corn plantings at that time totaled 93 percent of an 86,300-acre goal; the goal was exceeded by yearend.

Production goals of the Emergency Plan were—in addition to normal output of the second crop—some 86,000 tons of corn and 5,125 tons of beans, plus some sorghum and rice. Honduras had wanted to grow enough additional corn to avoid having to import for domestic consumption, but the National Development Bank acknowledged that the goals were high and might not be attained. Originally, it had hoped to purchase domestically some 18,400 tons of corn to store for local sale plus a sizable inventory to eliminate the need to buy abroad.

In early January, the Bank had some 4,600 tons of old crop beans on hand and expected the harvest of the larger second crop between December and February to provide sufficient stocks for an excess of from 4,600-9,200 tons for export. But with a shortage of rice looming prior to the main harvest still 6 months away, the Government of Honduras on March 7 signed a Title I, P.L. 480 agreement under which it will purchase from the United States 10,000 tons of rice valued at $4 million.

In April, this agreement was amended to allow the purchase of 10,000 tons of wheat valued at $1.6 million during the fiscal year that ended June 30, 1975.

A trade was recently made with Nicaragua—460 tons of red beans for 730 tons of rough rice. (Nicaragua was also said to have had some corn available as well.) The Development Bank had some 1,150 tons of rice on hand in early January and estimated that private mills owned another 13,800 tons.

Bananas. This is Honduras most valuable farm export product, and the commodity most seriously damaged by Hurricane Fifi. In 1973, the country exported about 55 million boxes (40 lb each) of bananas valued at about $94 million; for 1974, according to the Central Bank, exports were 34.6 million boxes valued at $78 million. This year, the Bank predicts export volume will be 27.5 million boxes and earnings will be $62.1 million. At least one estimate is less optimistic, however, and projects 1975 banana export receipts at $50 million. The Honduran Planning Council

expects banana export value in 1976 to reach $90 million—the same level as 4 years earlier.

In September, a week after the hurricane, a Tela Railroad Co. official calculated that 20,000 acres of its banana plants were under water and another 4,000 acres of plants had been destroyed by the wind. Tela Railroad Co. is a subsidiary of United Brands and a major banana producer-exporter.

Standard Fruit Company—Honduras other large grower and exporter—said 75 percent of its plants had been damaged. A spokesman for independent growers, who sell their fruit to the two larger companies for export, estimated their losses at more than $14.5 million. The Central Bank estimated 1974 banana production at about 1.36 million tons, about the same as its 1973 estimate.

Livestock and meat. The meat industry suffered particularly heavy damage in the hurricane and floods that followed. Estimates of cattle deaths range from 50,000 head, valued at $7.5 million, to totals twice that large.

Pastures were ruined in many areas, and starvation brought death to some animals that escaped the wind and water. But the industry's most depressive aspect came from low prices paid for imported beef by the United States, by far Honduras principal meat customer.

Beef and veal exports to the United States and Puerto Rico—42.4 million pounds in calendar 1973—fell by 44 percent to about 29.4 million pounds in 1974. Some of the country's seven meat export plants closed their doors for several months at a time.

Because of reduced returns from exported beef, plants in Honduras have been offering the lowest prices in many years for live cattle, but are getting few takers. However, exported beef—normally from heavier animals—still brings a higher price than beef for domestic consumption. In late January, plants were paying 11.5 U.S. cents per pound for steers weighing 700-799 pounds, 12 cents for 800-899, 12.5 cents for 900-999, and 13 cents for over 1,000 pounds.

A 1975 agrarian reform law was criticized by the livestock industry as a new obstacle to recovery. Article 25 of the new law establishes limitations on ownership of rural lands by either individuals or corporations—limitations that allow too small a land area for the feeding operations now being conducted by several of the packing plants. For example, one export slaughterer runs cattle on about 8,000 acres in Sula Valley but the law sets a 600-acre maximum for this area.

Exporters have asked the Minister of Natural Resources to change the law or to draft implementing regulations to exempt them from the limitations. It is possible to grant such exemptions if the meat industry is determined to be an "exceptional case," whose contribution to the economy is of such "social and economic importance" to warrant a relaxation of the restrictions.

Coffee. Although only slightly damaged by the hurricane, the coffee sector is experiencing other difficulties. The Honduran Coffee Institute now forecasts a 1974/75 production at 734,000 bags (132 lb each) instead of the 834,000-bag estimate made early in November 1974.

A smaller use of high-cost fertilizer than anticipated, a late harvest in a cyclically low production year, and a shortage of harvest labor all contributed to the smaller-than-expected crop that started coming off the trees at the beginning of the year, according to the Coffee Institute.

Following the hurricane, many seasonal workers had emigrated to urban areas where food and shelter were more readily available. In addition, the Honduran army has been sweeping up seasonal workers who, authorities claim, have been dodging their military service.

The average producer price since the beginning of the coffee year on October 1, 1974, and until early January 1975, has been $55.72 per 100-pound bag and the growers had hoped to sell all of their projected exportable stock (737,185 bags) at an average price of 55 cents per pound. However, during that period export sale registrations totaled only 101,109 bags—only 12,611 from the new crop.

Sugar. Because the crop suffered only minor hurricane and flood damage, Honduras expects to produce 85,000 short tons of sugar (raw value) this season, a 5,000-ton gain over that of 1973/74. Recovering slowly but steadily from the drought-beset 1972/73 season, when the country had to import 10,000 tons to supplement domestic sugar output, Honduras produced a record 80,000 tons last season with the aid of new irrigation installations. Plans call for even greater output in the near future.

The sugar industry will export 12,500 tons of raw sugar in 1974/75. Five thousand tons were shipped in January, and the remaining 7,500 tons were available for sale. The industry has begun new construction, with more in prospect, that will markedly increase Honduran outturn in the near future. The largest of the country's four mills, which has a current processing capacity of 3,000 short tons of sugarcane daily, is being expanded by 50 percent.

The cornerstone was laid March 7 for a 3,000-ton mill being built from two Puerto Rican mills that a new company brought to Honduras for reassembly in time for the 1976/77 harvest. A third Puerto Rican mill will be reassembled in Honduras by a company intending to process 2,000 tons of cane per day, and bids were asked April 5 to prepare for construction of a 2,000-ton mill to be built by a Brazilian company for the National Federation of Sugarcane Cooperatives. This last project, financed by the National Development Bank, is expected to be ready for operation in 1977.

Philippine Copra Exports Up

During the October 1974-May 1975 period Philippine exports of copra and coconut oil increased to 565,000 metric tons, oil basis—119,300 tons above the same 8 months in 1973/74. The increase reflects improved rainfall that is expected to boost Philippine exports by 300,000 tons, oil basis, to about 925,000 tons in calendar 1975.

Traditionally the United States has been the largest single market for Philippine exports of coconut products. U.S. imports of coconut oil during the October 1974-May 1975 period increased by 2 percent from the 207,200 tons, oil equivalent, of combined imports of copra and coconut oil during the same 8 months of 1973/74. There were no U.S. imports of copra during the 1974/75 period.

The sharp increase in the Philippines coconut availabilities has been absorbed in exports so far. However, foreign markets for this increased production have not yet opened up and the expanded supplies will likely cause coconut-oil prices to remain substantially below soybean oil prices. This could stimulate U.S. imports of Philippine coconut oil.

Burma To Slow Sugar Output Growth Rate

BURMA'S sugar production and sugarcane acreage have mounted in the past two decades, but only modest expansion is planned in the near future. Burma is expected to continue to be a relatively small producer and exporter of sugar. A slight increase in the output of refined sugar is expected, but it will probably just be large enough to keep pace with population expansion and to permit a small per capita consumption increase. Little production growth is actually needed for domestic use under the present circumstances, since the availability of other sweeteners such as jaggery (unrefined brown sugar) helps hold down Burmese per capita utilization of refined sugar. But at the same time, these conditions will probably cause Burmese sugar imports to stagnate and eliminate any possibility of a boost in its sugar exports.

Sugarcane is a "planned crop" in Burma. This means that in designated areas, farmers have no choice but to grow the crop. Extensive floods in many parts of the country early in 1974 did little damage in sugarcane areas, and despite some loss because of stem rot, the 1973-74 crop roughly met preseason estimates.

Burma's sown sugar area increased by 348 percent to an estimated high of 320,000 acres between 1955-56[1] and 1974-75, while the production growth was 263 percent—from 556,000 long tons to 2.02 million tons in the same period. The average annual acreage increase in the past 5 years was 7 percent and the production boost averaged 8.5 percent. By 1979-80, projected growth is expected to bring the sugar area to 370,000 acres and production to 2.09 million tons.

In terms of acreage, sugarcane ranks last among the nine major Burmese crops that account for almost 90 percent of the country's cultivated area.

The small sugar output growth expected during the next 5 years—0.6 percent annually—and the modest acreage increase seem to indicate the Burmese Government believes the sugarcane crop has reached its optimum level. Burma may now plan to devote its scarce resources to increase production of other agricultural commodities.

In an effort to increase procurement of sugarcane, the Government—the sole legal buyer in principal sugarcane growing areas of Burma—has increased its procurement price from about US$9.35 per ton to $12.47. However, it is expected that little more than half of the cane available is actually delivered to the mills for processing, the rest being used at home to make jaggery despite the prohibition of jaggery manufacture in many districts.

Burma's transportation system is a major deterrent to larger sugar production. Often farmers are unable to find transport for sugarcane from rail centers to the mill. Sometimes the railcar shortage persists until the cane is no longer suitable for mill processing. Poor planning and organization in the sugar industry also help to complicate the situation.

Burma's sugar mills need modernization and enlargement if they are to meet future demands. The Government has asked the Asian Development Bank to provide financing for the rehabilitation and capacity expansion of one mill each at Pyinmana and Zeyawaddy in the southwest part of the country. The Bank may also fund construction of a new sugar mill with a crushing capacity of 1,500 tons daily. An ADB factfinding team was scheduled to visit Burma in 1975.

The country has five sugar mills, each of which produces an average of 13,000 tons of sugar annually. A sixth mill has an outturn of 1,000 tons of sugar a year. Between them they account for between 466,000 tons and 888,000 tons of cane annually.

The Government projects that by 1979 (if the planned expansion program takes place), Burma's refined sugar output would be 80,000 tons per year, compared with current production of about 62,000 tons.

Per capita consumption has been in a general downtrend in recent years, except for 1965-66—when utilization was 10.64 pounds per person because Burma imported nearly 65,000 metric tons of refined sugar in barter agreements with several Communist countries. Imports have also fallen.

By 1967-68, imports had dropped to an almost infinitestimal 2 tons, perhaps as stocks from previous years were worked down. In the past 5 years, imports of refined sugar have averaged around 192 tons per year and the Burmese Government expects imports to remain near the 200-ton level at least through 1978-79.

Although Burmese sugar has been under upward pressure from world sugar prices, Burmese price boosts have been comparatively moderate. The retail price in Government controlled shops has risen from the equivalent of 62 U.S. cents per viss (3.6 lb) in 1973 to 79 cents per viss in December 1974. The price on the free market, where most of the sugar is traded, has increased more sharply from about $2 per viss in 1973 to $3.74 at the beginning of December 1974. But such price increases have less significance for the average Burmese consumer than they would have in more developed countries because of the availability of sugarcane and palm jaggery. Molasses is also available, but most of it is used to make rum.

[1] **Burma's sugar year is April 1-May 31.**

Argentina Takes Measures To Bolster Beef Industry

The Argentine Meat Board removed the ceiling on domestic prices for cattle in mid-June. Ceiling prices were the equivalent of 9.78 cents per pound, liveweight, for steers weighing up to 880 pounds, and 8.85 cents per pound for steers over 880 pounds. This action aims at encouraging production and discouraging cattle herd liquidation.

The Argentine Meat Board also lowered the minimum f.o.b. prices for the export of certain canned meats to place them in a more competitive position in the international market. It was announced that the Board authorized the export of 5,000 tons of corned beef worth $8 million.

Besides the United States and Great Britain, shipments reach the Netherlands, Canada, West Germany, and Egypt.

The new f.o.b. prices for first-quality corned beef are (in dollars per box and/or case, with previous prices in parentheses): Corned beef, 24 x 12 ounces: United States, 13.00 (15.19); Britain, 14.00 (14.70); other countries, 12.50 (14.21). Corned beef, 6 x 6 pound: United States, 25.00 (28.42); Britain, 29.50 (30.38); others, 27.50 (28.42).

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	July 7	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	5.82
USSR SKS-14	(1)	(1)	(1)
French Milling [2]	3.26	+ 4	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	4.60	− 1	5.71
U.S. No. 2 Hard Winter:			
13.5 percent	3.82	−22	5.11
No. 3 Hard Amber Durum	5.66	−11	7.44
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	3.30	+ 9	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.23	− 5	3.47
French Maize [2]	3.19	−16	(1)
Argentine Plate corn	4.10	+ 1	3.78
U.S. No. 2 sorghum	2.70	− 8	3.02
Argentine-Granifero sorghum	2.74	− 7	3.04
U.S. No. 3 Feed barley	2.24	+ 1	2.89
Soybeans:			
U.S. No. 2 Yellow	5.88	+14	6.29
EC import levies:			
Wheat	2.00	+ 5	0
Corn	1.16	+20	0
Sorghum	1.56	+ 6	.45

[1] Not quoted. [2] Basis c.i.f. west coast, England
NOTE: Price basis 30- to 60-day delivery

Iran Has Record Wheat Crop

Iran is expecting a record 1975 wheat crop of as much as 4.7 million metric tons, up nearly 1 million tons from last year's harvest. Iranian import needs for the coming year (July-June 1975/76), therefore, may be only half of the 1974/75 volume of 2.3 million metric tons.

PRC Claims Bumper Winter Grain Harvest

The People's Republic of China (PRC) has reportedly harvested a bumper winter grain crop this year with general, but unspecified, increases in production claimed for the various growing areas. Winter grains, mainly winter wheat, account for approximately one fourth of total grain production in the PRC.

Although no production figures were given, an increase in winter grain production would appear to be justified on the basis of expanded acreage and available weather information. Timely rains and expanded irrigation facilities are believed to have alleviated or offset the adverse effects of dry spells that affected North China, the PRC's main winter wheat belt, in the first half of this year. Moreover, available Provincial reports on winter grain production in North China indicate the 1975 crop could surpass the good 1974 harvest.

India's Rice Prospects Good

India's 1975/76 rice crop is off to a relatively good start, and production is currently expected to exceed last year's mediocre harvest of 39.5 million metric tons (milled basis). Pre-monsoon precipitation was "scanty," but rains in late May and early June permitted sowing operations to begin on time. The southwest monsoon, which will determine the eventual size of the crop, arrived on schedule on June 1, and although somewhat weak initially, it has since become active and is advancing well.

TOBACCO

EC Commission Proposes Delay For Tobacco Tax Harmonization

The European Community Commission has proposed another 1-year extension of the first stage of harmonization of members' excise taxes on cigarettes. Approval by the EC Council would extend the first stage through June 1977 and would give until July 1976 for members to agree on guidelines for implementing the second stage.

The Commission's proposal results from members' inability to reach accord on criteria for further narrowing the ratios between the specific and ad valorem components of their excise taxes on cigarettes, and on definitions for other tobacco products. This marks the second time the first stage has had to be extended; guidelines for the second stage were originally scheduled to be adopted by July 1974.

The final harmonized tax structure will have important implications for the industries in the respective Member States and for countries supplying raw tobacco to the EC. A large ad valorem tax structure would favor use of low-cost tobacco, such as that produced in France and Italy and in countries receiving EC duty preference. It would adversely affect demand for high-value tobacco from nonpreference suppliers, such as the United States and Canada.

EC members fall into two camps on the issue. The State monopolies in France and Italy want to maintain their large ad valorem taxes, both to support demand for the locally produced tobacco they rely on, and to keep a competitive edge for their products in their markets. On the other hand, the multinational private industries in the other seven Member States import substantial quantities of high-value leaf and want to keep their predominant specific taxes to uphold this quality of their cigarettes and to enhance penetration of the

monopoly markets.

The first-stage directive, which went into effect July 1, 1973, applies only to cigarettes and requires members to restructure their taxes so that the specific elements make up not more than 75 percent nor less than 5 percent of the total tax. The United Kingdom and Ireland, which apply wholly specific rates on the raw-leaf content of their cigarettes, are exempt from the directive until 1978, when they must adopt the structure then in force in the rest of the EC.

EXIM Bank To Finance Expansion Of Tanzanian Tobacco Facilities

Current information indicates that the Export-Import (EXIM) Bank of the United States will finance $5 million worth of tobacco-processing machinery for the Tobacco Authority of Tanzania. Tanzania's processing capacity will increase from 8 million kilograms (two shifts) to 20 million kilograms per year, as a result of the new equipment.

Production this crop year is expected to rise to 15-18 million kilograms. Although the crop is ready, little is being processed, because the Tobacco Authority of Tanzania set a price that is higher than buyers are willing to pay. In the meantime, the processing plant and hand processors are remaining idle.

A major problem with tobacco marketing in Tanzania is that growers think they are not getting the prices they deserve. According to the buyers, the quality of Tanzanian tobacco is questionable, because it is not sorted carefully enough and grades are not well delineated.

Outlook Dim for Cigarette Sales in West Germany

The outlook for any increase in cigarette sales in West Germany is dim. The recent introduction of cigarettes containing 20-25 percent synthetic smoking materials has been termed disappointing, because of negative consumer reaction.

The industry's cigarette price hike of about 5 percent last May is expected to have an adverse effect on sales. A rising antismoking campaign and an anticipated increase in tobacco taxes could also reduce sales.

U.K. Manufacturers May Abandon Plans for Tobacco Substitute

The British press indicates that U.K. cigarette manufacturers are considering abandoning efforts to develop a safer cigarette containing synthetic tobacco substitute.

A soon-to-be-released Government committee report is expected to contain safety tests and standards that will require considerable and costly additional research before manufacturers can claim that synthetic materials are safer than natural tobacco.

Indications that a large 1975 world tobacco crop may alleviate leaf shortages and perhaps slow the increase in prices could influence manufacturers' decisions whether to continue the search for an acceptable tobacco substitute.

Cigarettes containing about 25 percent nontobacco materials have been introduced in the past year in West Germany and Switzerland. These brands are reported to be having only moderately successful sales.

OILSEEDS AND PRODUCTS

Canada's Rapeseed Acreage Up, But Flaxseed Area Declines

Canada's first estimate of oilseed acreages, based on seeding progress as of May 31, indicates that more rapeseed but less flaxseed, will be planted in the Prairie Provinces this year than in 1974.

The rapeseed area, estimated at 4.1 million acres, increased 28 percent from the 3.2 million in 1974 and was 8 percent above April planting intentions of 3.8 million acres. In recent years, yields from new varieties of low-erucic-acid rapeseed have averaged 17 bushels per acre, which would indicate a 1975 crop of about 69.7 million bushels or 1.58 million metric tons. Last year's output, adversely affected by weather conditions, was only 52.9 million bushels or 1.2 million tons.

Flaxseed acreage is expected to decline to 1.4 million acres, 7 percent below the 1.5 million in 1975, but slightly higher than April planting intentions of 1.37 million acres. If average yields are maintained at 12.5 bushels per acre, 1975 production could total about 16 million bushels compared with last year's weather-stricken crop of 14.3 million.

SUGAR AND TROPICAL PRODUCTS

Finland Exporting Birch Sugar

Finland, the first country to produce sugar from wood, primarily birch, has begun to export substantial amounts of birch sugar. Chewing gum and tablets sweetened with birch sugar went on the market in the spring of 1975.

Research conducted over the past 2 years at the Odontological Department of Abo University reportedly has shown that birch sugar (xylitol) reduces the incidence of tooth decay by 90 percent. The Finnish professors who have studied the effect of birch sugar on teeth recommend that manufacturers of sweets and candy in the future use only birch sugar. The same applies to the drug industry with respect to medicine produced for diabetics.

Indonesia Promotes Exports Of Spice, Essential Oils

Indonesia's Department of Trade engaged in a special program during the past year to develop its export markets for spices and essential oils. In September and October 1974, separate Indonesian market orientation teams on spices and essential oil toured major trade centers in Canada, the United States, and Europe.

The itinerary of the trade mission on essential oils included the Sixth International Congress of Essential Oils, which was held in San Francisco, September 8-12, 1974, sponsored by the Essential Oil Association of the U.S.A., Inc. Information developed by both teams subsequently formed the basis for special Government-industry seminars on these commodities held in Jakarta.

In 1974, U.S. imports of spices from Indonesia included the following items, in thousands of dollars: Cassia, 5,396; clove, 369; nutmeg, 3,885; mace, 1,064; black pepper, 12,936;

white pepper, 4,755; and vanilla beans, 380. Principal essential oils imported from Indonesia in 1974, in thosuands of dollars, were as follows: Citronella, 3,780; clove, 754; nutmeg, 865; patchouli, 4,266; sandlewood, 354; vetiver, 342; and cananga oil, 193.

India Ups Jute Support Price

As recommended by the Agricultural Prices Commission, the Government of India has fixed the statutory minimum support price of the basic variety of raw jute (Assam Bottoms) for the 1975/76 (July-June) season at Rs. 135 per quintal (about 7.6 cents per lb) for delivery at the primary markets. This price represents an increase of Rs. 10 per quintal over the minimum support price fixed for 1974/75.

The establishment of the statutory minimum support price for raw jute is academic, since actual prices received by jute growers have remained well above the support levels. Prices are likely to remain above support levels because of prospects of another short crop.

FRUITS, NUTS, AND VEGETABLES

EC Sets Export Subsidies On Fruits and Vegetables

The payment of export subsidies effective June 18 on the fruits and nuts shown below is authorized by EC Commission regulation No. 1536/1975 of June 17, 1975:

CXT Heading No.	Description of Goods	Subsidy[1]
EX 08.02 A I	Sweet fresh oranges:	
	• Of the varieties Biondo Comune, and Sanguigno Comune (Classes Extra, I, and II)	4.00
	• Of other varieties (Classes Extra, I, and II)	6.00
EX 08.02 C	Fresh lemons (Classes Extra, I, and II) for export to:	
	• Countries or states with a planned economy in Central and Eastern Europe.	2.50
	• Other destinations.	1.44
EX 08.04 A I	Table grapes (fresh, hothouse Extra Class, and Class I)	16.00
EX 08.05 B	Walnuts unshelled	8.00
EX 08.05 G	Shelled hazelnuts	4.00
EX 08.06 A II	Apples[2] (Classes Extra, I, and II) (other than cider apples):	
	• For export to countries and territories of Africa (with the exception of South Africa), countries of the Arabian peninsula, Syria, Iran, countries or states with a planned economy in Central and Eastern Europe, Brazil, Venezuela, Peru, Iceland, Sweden, Finland, Norway, and Austria.	3.00
EX 08.07 B	Peaches (excluding nectarines) (Classes Extra, I, and II)	4.00

[1] In units of account (u.a.) per 100 kilograms. One u.a. currently equals about $1.31. [2] For apples shipped to their destination via the Cape of Good Hope, i.e., not routed through the Suez Canal, additional subsidy of 4 u.a. per 100 kg is authorized.

These rates, except the special subsidy for Suez Canal routing, are the same as were in effect prior to June 18.

EC Renews Subsidies On Canned Tomato Products

Effective June 14, 1975, the European Community Commission has reinstituted canned tomato product export subsidies that had been abolished since November 1, 1974.

The subsidies effective June 14, 1975, are all lower than those in effect prior to November 1, 1974. The new subsidy on tomato juice exports to all third country destinations is fixed at 2 units of account (u.a.) per 100 kilograms, compared with 3.68 u.a. under the previous rate.

The subsidies on canned whole tomatoes and tomato concentrates apply to exports destined to all third countries except those in North America. The subsidy on canned whole tomatoes is 5 u.a. per 100 kilograms, compared with the earlier rate of 6 u.a. The subsidies on tomato concentrates vary according to percentage content of dry extract, ranging from a low of 3.75 u.a. per 100 kilogram for 12-18 percent, to a high of 23.8 for 95 percent or more. The rates prior to November 1, 1974, that paralleled these were 5.83 and 37.03 for the respective dry-extract categories.

DAIRY, LIVESTOCK, AND POULTRY

Japan Announces New Beef Quotas

Japan will import 11,500 tons of beef during the first half of the 1975 Japanese fiscal year (April 1-September 30), the first major quota allowed since beef imports were suspended in February 1974. The new quota includes 10,000 tons for general use, 500 tons for hotel use, and 1,000 tons of boiled beef. Most of the general quota will be frozen beef purchased in divided orders in July. The hotel quota is permitted to be chilled or frozen.

The Japanese Government is closely monitoring the beef supply situation and could announce additional quotas for the second half of the year. In the final months of 1973, and during 1974, approximately 12 percent of the beef quotas were filled by the United States, including most of the hotel quota.

French Egg Producers In Economic Squeeze

French egg producers, like egg producers in most European Community countries, are in an economic bind. Although French central market prices are favorable by U.S. standards —63 cents per dozen at wholesale in late May—they were 12 percent below levels of the year before.

Numerous bankruptcies, including some among cooperatives, have followed this squeeze. France plans to establish a quasi-Governmental organization as a channel for programs to improve this situation. One of the intended programs will be the slaughter of 500,000 laying hens, of the normal French flock of about 65 million.

Other Foreign Agriculture Publications

• Cumulative 1974/75 U.S. Raw Cotton Exports Continue Lower Through April (FC 9-75)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918-S.; Tel.: 202-447-7937.

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Brazil Sets Paper Production Program

Faced by a soaring demand for paper and cellulose[1] that has in past years caused a heavy outflow of foreign exchange, the Brazilian Ministry of Agriculture is undertaking a national program to gain self-sufficiency in these products within the next 20 years.

The plan, announced by Brazil's President Geisel, will possibly involve about 10 million acres of unexploited forest and reforested land, with the Ministry being responsible for devising a reforestation scheme to take care of future needs. A new national entity will probably be established to finance the reforestation segment of the program through long-term credits.

In addition, the Government will undertake extensive research to determine which trees in Brazil's highly heterogenic forests can best be exploited. The services of farmers are to be utilized wherever possible in the program, perhaps by coordinating some lumbering activities with crop farming. Of particular interest are the forests of the Amazon region that are as large as all of Western Europe and represent nearly 60 percent of Brazil's territory.

The size and importance of the project can be gaged by the size of Brazilian paper imports and the program's overall cost. Exports totaled more than $140 million in 1973 and the overall cost of the project—is estimated at $17 billion. The project is expected not only to supply Brazil's domestic needs for paper but to provide ultimate exports of about 2 million tons of paper and pulp, with a cumulative value of $51 billion. The new industry is also expected to provide employment for 2,000 people.

Brazil's consumption of paper has more than doubled since 1965, soaring from about 1.1 million metric tons to 2.8 million in 1973, with each year's total apparently setting a record. The climb in usage probably continued through 1974 and into 1975, again reaching a new high each year.

Imports of paper have also climbed steadily from 70,000 tons in 1965 to 469,000 tons in 1973. Import value has also been on an uptrend during this period, rising from $16.5 million to the present $141.6 million.

Brazil has exported some cellulosic products over the years and 1973 foreign sales reached 191,000 tons valued at $23 million.

Equally impressive are the targets of the program and the required immediate investment. Industry will initially be required to invest about $1.6 billion for equipment, facilities, and the like, while the Government will spend $1.1 billion in the development of infra-structure facilities such as roads.

Paper production is targeted at 6.3 million tons and cellulosic products at 9 million tons. —Based on report from R. L. Beukenkamp, *U.S. Agricultural Attaché, Brasilia*

[1] "Paper" as used hereafter, in general includes other cellulosic products.

MTN Steering Group Meetings Begin

Continued from page 5

lated to the objectives of the developing countries.

The **tropical products group** met in June and agreed that each developing country would provide the developed countries with a list of requests for concessions on tropical products. When the lists are completed there will be bilateral discussions to review them.

The group will meet again in October to review the results of the series of consultations and to discuss the next step—the transition from bilateral consultations to an overall multilateral tropical products program.

At its July 15 meeting the Trade Negotiations Committee will review the work begun and planned by the various groups and subgroups and determine in what, if any, new areas work should be initiated.